

P R E S E N T A T I O N

# Pension Obligation Bonds Credit Issues and Perspectives

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P R E S E N T E D

September 12, 2004



**MBIA**

Capital Strength. Triple-A Performance.

# MBIA Insurance Corporation

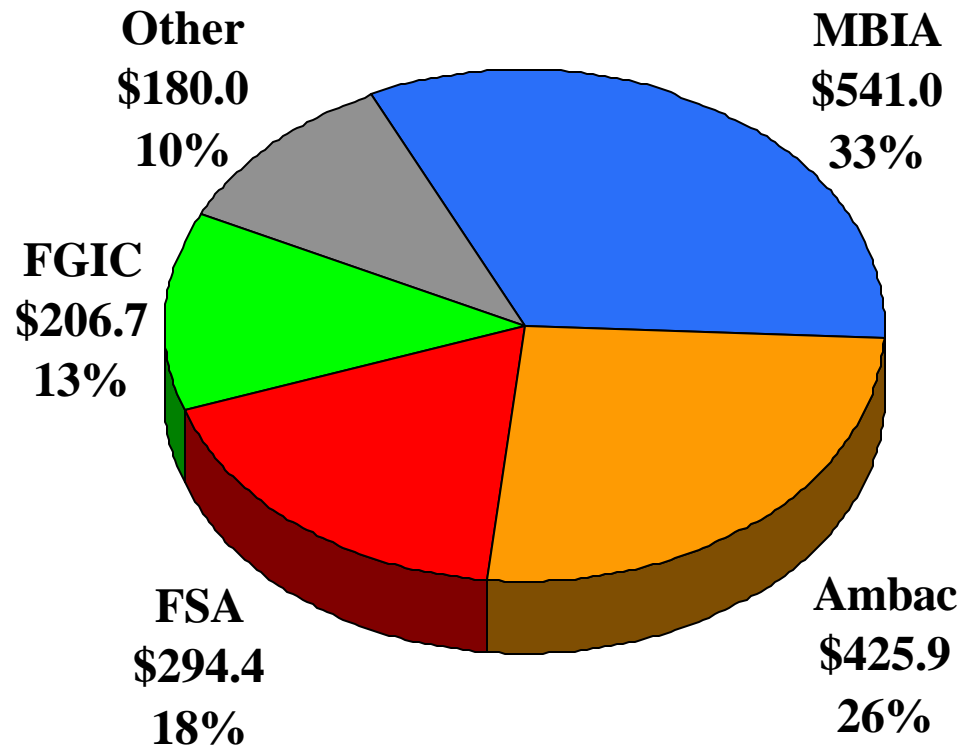
- MBIA is a global credit enhancement company—a key facilitator in the development of capital markets around the world
- MBIA’s financial strength rating is Triple-A by Standard & Poor’s, Moody’s and Fitch.
- We provide Triple-A access to the capital markets for issuers and Triple-A protection for investors
- We are the leading company in the “monoline” financial guarantee industry

# Benefits of Credit Enhancement to Issuers

- Triple-A ratings
- Reduced borrowing costs
- Increased marketability
- Structuring expertise
- Ease of execution
- Access to capital

# Monoline Market Share: Net Par Outstanding

**As of December 31, 2003**  
(Dollars in Billions)



# History of Insuring POBs

- To date, MBIA has insured over \$7.1 billion in POBs nationwide and over \$5.4 billion in POBs in California.
- In 1994, MBIA insured its first POBs: Los Angeles County \$750 million POBs.
- Recent POBs transactions insured by MBIA:
  - 2002 County of San Diego \$730 million POBs
  - 2003 County of San Luis Obispo \$137 million POBs
  - 2004 County of Sacramento \$426 million POBs
  - 2004 City of Pomona \$38 million POBs

## POBs – Credit Analysis

- Is the pension portfolio well managed?
- How often is an actuarial study conducted?
- Are the assumptions of the actuarial study reasonable?
- What is the cause of the UAAL?
- What is current “demographic” composition of the employees? Is the UAAL going to increase/decrease?
- Has the issuer begun to recognize its OPEB obligations?

## POBs – Credit Analysis (con't)

- Is issuing POBs the “right” way to address the issuer’s UAAL?
- How much of the UAAL is being funded by POBs?
- What is the structure of the bonds (i.e. variable rate vs. fixed rate)?
- Is the debt service on the POBs “affordable”?
- When are the debt service payments made during the fiscal year?



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